

Australian Securities & Investments Commission

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Form 388
Corporations Act 2001
294, 295, 298-300, 307, 308, 319, 321, 322
Corporations Regulations
1.0.08

Copy of financial statements and reports

Company details

Company name

SOUTH EAST FIBRE EXPORTS PTY LTD

ACN

000 604 795

Reason for lodgement of statement and reports

A large proprietary company that is not a disclosing entity

Dates on which financial year ends

Financial year end date
31-12-2009

Details of large proprietary company

What is the consolidated revenue of the large proprietary company and the entities that it controls?

85105869

What is the value of the consolidated gross assets of the large proprietary company and the entities that it controls?

77854342

How many employees are employed by the large proprietary company and the entities that it controls?

75

How many members does the large proprietary company have?

2

Auditor's report

Were the financial statements audited?

Yes

Reasons for the auditor not being satisfied as to the matters referred to in s307?

No

Form 388 - Copy of financial statements and reports
SOUTH EAST FIBRE EXPORTS PTY LTD ACN 000 604 795

Details of the deficiency, failure or shortcoming concerning any matter referred to in s307?

No

Details of current auditor or auditors

Current auditor

Date of appointment **14-04-2005**
Name of auditor **ERNST & YOUNG**
Address **680 GEORGE STREET
SYDNEY NSW 2000**

Certification

I certify that the attached documents are a true copy of the original reports required to be lodged under section 319 of the Corporations Act 2001.
Yes

Signature

Select the capacity in which you are lodging the form
Secretary

I certify that the information in this form is true and complete and that I am lodging these reports as, or on behalf of, the company.
Yes

Authentication

This form has been submitted by
Name **Graeme Russell SKINNER**
Date **19-04-2010**

For help or more information
Telephone **1300 300 630**
Email **info.enquiries@asic.gov.au**
Web **www.asic.gov.au**

**SOUTH EAST FIBRE EXPORTS
PTY. LTD.**

ABN 85 000 604 795

**FINANCIAL REPORT FOR THE
YEAR ENDED 31 December 2009**

**SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795**

FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

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SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' REPORT

The Directors have determined that the company is not a reporting entity, and as such, have determined that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 2 to the Financial Statements.

Board of Directors

The names of the Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated:

Representing Nippon Paper Industries Co., Ltd.:

Mr. Toshihiro Eguchi *	(Chairman and Managing Director)	(Appointed 28/7/06)
Mr. Makoto Terao *	(Alternate Mr Masayuki Mizukami *)	(Appointed 11/4/07)
Mr. Keiji Nishihara	(Alternate Mr. Peter Mitchell)	(both resigned 1/7/09)
Mr. Hideki Ushiro *	(Alternate Mr. Robert Sauer *)	(both appointed 1/7/08)
Mr. Tetsuya Inoue *	(Alternate Mr. Peter Mitchell *)	(both appointed 1/7/09)

Representing ITOCHU Corporation:

Mr. Ryuzo Saito *	(Appointed 13/4/06)	
Mr. Shoji Yabe *	(Appointed 18/4/08)	
Mr. Tomoaki Kato	(Alternate Mr. Takashi Shimizu)	(both resigned 1/4/09)
Mr. Ichiro Tsuge *	(Alternate Mr. Masayuki Obuchi *)	(both appointed 1/4/09)

* Denotes current directorship.

Principal Activities

The principal activities of South East Fibre Exports Pty. Ltd. during the course of the year were as a manufacturer and exporter of woodchips and hardwood plantation grower.

No significant change in the nature of these activities occurred during the year.

Employees

The Company employed 75 employees as at 31 December 2009.

Results

The profit of the Company for the financial year after providing for income tax amounted to \$3,888,013 (2008- \$10,907,529).

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' REPORT

Review of Operations

A review of the operations of the economic entity during the financial year found that the market demand had decreased, and during the year ended 31 December 2009 the company shipped 796,850 green tonnes of hardwood and softwood woodchips.

As a consequence of the Global Financial Crisis, there was a significant reduction in demand from the Company's major customers, and both sales prices and volume decreased such that revenues from ordinary activities declined by 25.4% to \$84,133,870. The Weighted Average sales price achieved during 2009 was 3.8% lower than that achieved in 2008. Pricing was in line with expected market levels.

Whilst Gross Profits were reduced accordingly, control of costs enabled the Company to post a net profit before tax which the Company considers to be more than reasonable considering the prevailing economic conditions.

Due to the long term resource supply contracts that are in place, the Company is confident of being able to meet the expected demand for its product from buyers in the coming financial year.

Significant Changes in State of Affairs

The Company began negotiating an agreement for the supply of softwood logs in 2007 and established an agreement to manufacture softwood chips during the 2008 year. Due to the lack of demand for this product, the Company acquired only 3,689 tonnes of logs during the 2009 year and the softwood chip manufacturer was provided with alternative product for chipping.

International Financial Reporting Standards (IFRS)

The Company commenced reporting under Australian equivalents of IFRS for the year commencing 1 January 2005.

Post Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operation of the Company in the future financial years.

Future Development

The Company maintained all of its manufacturing facilities and has manned its operations to be capable of meeting future orders when customer demand resumes normal levels.

The Company, with the support of its shareholders intends to proceed with a Development Application for the installation of a BioEnergy plant, for the purpose of electricity generation. This has led to the requirement for an Environmental Assessment to be developed for the NSW Department of Planning.

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' REPORT

Environmental Issues

The Company owns and operates a mill at Jews Head, Eden, which is covered by a licence issued by the Environment Protection Authority of New South Wales. This licence stipulates a number of operating conditions relating to emissions impacting on water and air quality.

The Annual Return of the Company to the NSW Environment Protection Authority for the year ended 14 December, 2009 reported no non-compliance with licence conditions, and accordingly there was no follow up action required by either the EPA or the Company.

Forestry operations are carried out by the Company on private property and Crown Lands in New South Wales and Victoria.

During 2009 the Company carried out 18 private property log harvesting operations. In Victoria 8 complied with local Government approvals for log harvesting and plantation establishment. In New South Wales 10 complied with the provisions of the Native Vegetation Act 2003.

Log harvesting operations on Crown Lands in both Victoria and New South Wales are licensed by and carried out under the direct supervision of VicForests and Forests New South Wales respectively.

During 2009, no significant breaches of environmental protocols or regulations by the Company or its agents were drawn to the attention of the Company.

During 2004, the Company gained ISO14001 accreditation, and has implemented management and audit systems designed to ensure its operations comply with relevant environmental regulations and legislation. An audit process was implemented and maintained to ensure ISO14001 accreditation is retained.

During 2006, the Company gained Certification under the Australian Forestry Standard (AFS). This is a voluntary process by which planning, procedures, systems and performance of the "on the ground" forestry operations are audited by a qualified and independent third party against a predetermined standard.

During 2007, the Company gained Certification under the Australian Standard for "Chain of Custody for Certified Wood & Forest Products" (COC). This process enables the Company to certify on each invoice for the sale of woodchips, that it has tracked the source of those chips to a log or chip supplier, who has AFS certification. The process also ensures that logs and chips supplied from non-certified suppliers have the appropriate state and local approvals. The process is subject to annual external audit.

During 2009, the Company underwent Re-Certification Audits for ISO 14001, Australian Forestry Standard and Chain of Custody for Certified Wood & Forest Products. All Certifications were renewed to the 31st May, 2012.

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' REPORT

Dividends

Dividends paid or declared since the start of the financial year are as follows:

- (a) A fully franked dividend of \$1,000,000 being an ordinary dividend of \$0.133 per share was paid on the 27th March, 2009, as recommended in last year's report.
- (b) A fully franked dividend of \$1,000,000 being an interim dividend of \$0.133 per share was declared from prior year profits and paid on the 25th September, 2009.
- (c) A fully franked dividend of \$1,000,000 being a final dividend of \$0.133 per share was declared on 16th December 2009 from prior year profits and is due for payment on 31st March 2010.

Options

No options over issued shares in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnifying Officer or Auditor

During the year the Company paid a premium under a contract to insure the Directors and Officers of the Company against liabilities incurred in their respective capacities. The insurance policy contains a confidentiality clause, which prohibits disclosure of the premium paid.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, in respect of any person who is or has been an auditor of the economic entity.

Proceedings brought against the Company

There is an ongoing dispute between the Company and an Engineering Company which was contracted to install shiploading facilities in 1999.

The matter has been heard by an Arbitrator during 2004, 2005, 2006, 2007 and 2008, with an interim award on liability being made in May, 2005. Both parties to this matter sought leave to appeal a number of issues determined by the Arbitrator. These appeals were heard in the Supreme Court of NSW in February 2006. An interim award on quantum was determined by the Arbitrator in September 2007 which was appealed by both parties, the result of which, judgement was awarded in favour of the Engineering Company in 2008.

To date, the Engineering Company has not sought to pursue recovery of the costs made in its favour.

SOUTH EAST FIBRE EXPORTS PTY, LTD.
ABN 85 000 604 795

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

DIRECTORS' REPORT

Non-Audit Services

The following non-audit services were provided by the entity's auditor Ernst and Young during the year. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditor imposed by the Corporation Act 2001. The nature and scope of each type of non-audit service provided, means that auditor independence is not compromised.

The auditor received or is due to receive the following amounts for the provisions of non-audit services:

Tax Compliance Service	\$14,520
Other Services	\$21,263

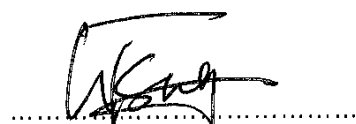
Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001, is set out on Page 6.

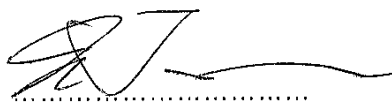
Signed on the 16th April 2010 at Sydney, in accordance with a resolution of the Directors.


.....

T. Eguchi - Director


.....

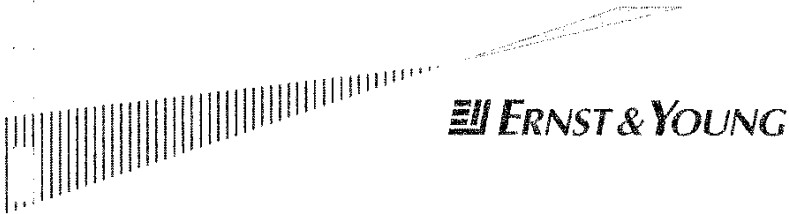
I. Tsuge - Director


.....

M. Terao - Director


.....

M. Obuchi - Director



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

Auditor's Independence Declaration to the Directors of South East Fibre Exports Pty Ltd

In relation to our audit of the financial report of South East Fibre Exports Pty Ltd for the financial year ended 31 December 2009, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in black ink that reads 'Ernst & Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Gregory J Logue' in a cursive style.

Gregory J Logue

Partner
Sydney
16 April 2010

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 \$	2008 \$
Continuing Operations			
Revenues from Ordinary activities	3 (a)	84,133,870	112,847,477
Revenues from Other activities	3 (b)	<u>971,999</u>	<u>23,636</u>
Total Revenue		<u>85,105,869</u>	<u>112,871,113</u>
Changes in Inventories of Finished Goods		(148,060)	9,227,686
Raw Materials & Consumables Used		(63,932,448)	(88,075,838)
Employee Remuneration		(10,134,827)	(7,444,781)
Employee Benefits Expense		(803,135)	(806,047)
Depreciation & Amortisation Expense	14	(2,591,085)	(1,715,253)
Borrowing Costs Expense		(139,278)	(193,287)
Plantation Expense Transferred to Standing Timber		(734,568)	(1,181,059)
Repairs and Maintenance		(1,932,900)	(1,856,987)
Electricity		(750,634)	(731,828)
Pension Fund movement		1,629,000	(10,000)
Other Expenses from Ordinary Activities		(256,000)	(5,106,306)
Profit from continuing operations before income tax		<u>5,311,934</u>	<u>14,977,413</u>
Income Tax Expense	5	<u>(1,423,921)</u>	<u>(4,069,884)</u>
Profit from continuing operations after income tax		<u>3,888,013</u>	<u>10,907,529</u>
Other Comprehensive Income			
Actuarial gain/(loss) on defined benefit plan		<u>720,300</u>	<u>(2,010,400)</u>
Other Comprehensive income for the period net of tax		<u>720,300</u>	<u>(2,010,400)</u>
Total comprehensive income for the period		<u>4,608,313</u>	<u>8,897,129</u>
Profit for the period is attributable to owners of the parent		3,888,013	10,907,529
Total comprehensive income for the period is attributable to owners of the parent		4,608,313	8,897,129
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent			
Basic earnings per Share (cents per Share)		51.84	145.43

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2009

	NOTE	2009 \$	2008 \$
CURRENT ASSETS			
Cash	9	17,467,244	18,853,432
Trade & Other Receivables	10	9,435,459	9,217,743
Inventories	11	13,385,581	14,315,062
Other Assets	12	662,862	305,124
TOTAL CURRENT ASSETS		<u>40,951,146</u>	<u>42,691,361</u>
NON-CURRENT ASSETS			
Financial Assets	13	0	1,502
Deferred Tax Assets	19 (b)	832,794	1,655,006
Property, plant and equipment	14	25,553,735	25,289,249
Plantation Establishment	15	2,586,790	2,623,920
Standing Timber at net market value	16	7,445,877	7,138,728
Pension Asset	21	484,000	0
TOTAL NON-CURRENT ASSETS		<u>36,903,196</u>	<u>36,708,405</u>
TOTAL ASSETS		<u>77,854,342</u>	<u>79,399,766</u>
CURRENT LIABILITIES			
Trade and other Payables	17	5,467,484	5,260,610
Interest Bearing Loans and Borrowings	18 (a)	1,010,448	869,648
Income Tax Payable	19 (a) (i)	146,005	1,729,228
Short Term Provisions	20 (a)	2,859,079	2,787,702
TOTAL CURRENT LIABILITIES		<u>9,483,016</u>	<u>10,647,188</u>
NON-CURRENT LIABILITIES			
Long Term Provisions	20 (b)	988,667	921,982
Long Term Borrowings	18 (b)	624,290	1,634,737
Deferred Tax Liabilities	19 (a) (ii)	3,177,940	3,049,743
Pension Liability	21	0	2,174,000
TOTAL NON-CURRENT LIABILITIES		<u>4,790,897</u>	<u>7,780,462</u>
TOTAL LIABILITIES		<u>14,273,913</u>	<u>18,427,650</u>
NET ASSETS		<u>63,580,429</u>	<u>60,972,116</u>
EQUITY			
Contributed Capital	22 (a)	7,500,000	7,500,000
Retained Earnings	22 (b)	39,880,429	37,272,116
Other Reserves	22 (c)	16,200,000	16,200,000
TOTAL EQUITY		<u>63,580,429</u>	<u>60,972,116</u>

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 \$	2008 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		83,003,119	114,539,752
Payments to suppliers and employees		(77,253,380)	(105,043,944)
Interest received		1,238,036	1,850,079
Finance Costs		(139,278)	(193,287)
Income tax paid		<u>(2,365,435)</u>	<u>(3,772,191)</u>
Net cash provided by operating activities	24 (b)	<u>4,483,062</u>	<u>7,380,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(2,974,164)	(5,193,729)
Payment for plantation timber establishment		(697,438)	(562,853)
Proceeds from sale of property, plant and equipment		971,999	23,636
Loans to unrelated parties payments made		0	0
Loans to related parties payments made		(8,000,000)	(7,700,000)
loans reinvested on STMM proceeds from repayments		<u>7,700,000</u>	<u>6,400,000</u>
Net cash used in investing activities		<u>(2,999,603)</u>	<u>(7,032,946)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(869,647)	(862,383)
Lease finance borrowings		0	0
Dividends paid		<u>(2,000,000)</u>	<u>(1,500,000)</u>
Net cash provided by (used in) financing activities		<u>(2,869,647)</u>	<u>(2,362,383)</u>
Net increase in cash held		(1,386,188)	(2,014,920)
Cash at the beginning of financial year		<u>18,853,432</u>	<u>20,868,352</u>
Cash at the end of financial year	24 (a)	<u>17,467,244</u>	<u>18,853,432</u>

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Other Reserves	Ordinary Shares	Retained Earnings	Total
Balance 1 January, 2009	16,200,000	7,500,000	37,272,116	60,972,116
Profit for the period	0	0	3,888,013	3,888,013
Other comprehensive income	0	0	720,300	720,300
Total comprehensive income for the period	16,200,000	7,500,000	41,880,429	65,580,429
Transactions with owners in their capacity as owners				
Dividends paid or provided			(2,000,000)	(2,000,000)
Balance at 31 December, 2009	16,200,000	7,500,000	39,880,429	63,580,429
Balance 1 January, 2008				
Profit for the period	0	0	10,907,529	10,907,529
Other comprehensive income	0	0	(2,010,400)	(2,010,400)
Total comprehensive income for the period	16,200,000	7,500,000	39,272,116	62,972,116
Transactions with owners in their capacity as owners				
Dividends paid or provided			(2,000,000)	(2,000,000)
Balance at 31 December, 2008	16,200,000	7,500,000	37,272,116	60,972,116

The accompanying notes form part of these financial statements

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 1 COMPANY INFORMATION

The special purpose financial report of South East Fibre Exports Pty. Ltd. for the year ended 31 December 2009 was authorised for issue in accordance with a resolution of the Directors on 16th April, 2010.

South East Fibre Exports Pty. Ltd. is a Company limited by shares that is incorporated and domiciled in Australia. Its ultimate parent entity is Nippon Paper Group Inc, being a public company listed in Japan.

The nature of the operations and principal activities of the company are described in the Directors' Report.

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

This special purpose financial report has been prepared for distribution to the members to fulfil the directors' financial reporting requirements under the Corporations Act 2001. The accounting policies used in the preparation of this financial report, as described below, are consistent with the previous years, and are, in the opinion of the directors, appropriate to meet the needs of members:

- (i) The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.
- (ii) The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs.

Accordingly, the financial report has been prepared in accordance with the Corporations Act 2001, the basis of accounting specified by all Accounting Standards and Interpretations and the disclosure requirements of AASB 101 '*Presentation of Financial Statements*', AASB 107 '*Cash Flow Statements*', AASB 108 '*Accounting Policies, Changes in Accounting Estimates and Errors*', AASB 1031 '*Materiality*' and AASB 1048 '*Interpretation and Application of Standards*' which apply to all entities required to prepare financial reports under the Corporations Act 2001.

The directors have determined that in order for the financial report to give a true and fair view of the Company's performance, cash flows and financial position, the requirements of Australian Accounting Standards and other financial reporting requirements in Australia relating to the measurement of assets, liabilities, revenues, expenses and equity should be complied with.

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(b) Statement of Compliance

Certain Australian Accounting Standards and interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the annual reporting period ended 31st December, 2009. The Directors have not early adopted any of these new or amended standards or interpretations.

This special purpose financial report complies with Australian Accounting Standards as described above.

(c) Income Tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities based on the current period's taxable income. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(d) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of product code weight received and manufactured.

(e) Property, Plant and Equipment

Property, Plant and Equipment

Each class of property, plant and equipment is carried at historical cost less accumulated depreciation and impairment losses.

Property

It is the policy of the Company to have an independent valuation carried out every 3 years, with annual approvals being made by the Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

The cost of fixed assets constructed by the Company include the cost of materials and labour hire associated with the construction.

Subsequent costs are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and leased assets, but excluding freehold land and plantation timber, are depreciated on a straight line basis over their estimated useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5% to 13.0%
Plant & Equipment	2.5% to 40.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

SOUTH EAST FIBRE EXPORTS PTY. LTD.
ABN 85 000 604 795

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(e) Property, Plant and Equipment (Cont'd)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the net disposal proceeds with the carrying amount. These gains or losses are included in the Income Statement. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Company; are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease, whichever is the shorter.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(g) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible assets when events or circumstances indicate that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(h) Foreign Currency Transactions and Balances

Both the functional and presentation currency of South East Fibre Exports Pty. Ltd. is Australian dollars (A\$).

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

(i) Financial Assets - Investments

Non-current investments are measured on the cost basis. The carrying amount of investments is reviewed annually by Directors to ensure it is not in excess of the recoverable amount of these investments.

(j) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the Company to four managed funds. One of the managed funds is both an Accumulation and Defined Benefit Fund (DBF) whilst the others are Accumulation funds only.

The cost of providing benefits under the plan is determined using the projected unit credit actuarial method.

Actuarial gains and losses are recognised in equity.

The pension liability recognised in the Balance Sheet represents the present value of the Defined Benefit obligation, net of the fair value of the plan assets.

(k) Provisions

Provisions are recognised when the company has a present legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(l) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(m) Revenue

Revenue from the sale of goods is recognised upon ownership of the goods passing to the customer.

Interest

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Change in value of Standing Timber

The net increment or decrement in the net market value of standing timber recognised as revenue or expense, is determined as the difference between the net market value as at the beginning of the financial year, and the net market value at the end of the financial year.

All revenue is stated net of the amount of goods and services tax (GST).

(n) Plantation Establishment

The cost of plantation establishment is included under Non-Current Assets in the Balance Sheet, and is carried at cost. Established timber has no active market until it has reached its 6th year of maturity.

The cost of Company owned land used for plantations is included under freehold land as part of property, plant and equipment in the balance sheet

(o) Standing Timber (Biological Assets)

Standing timber is plantation timber (which has reached its 6th year of maturity) plus forest timber and is valued based on fair value less point of sale costs in accordance with Accounting Standard AASB 141, Agriculture (refer Note 16). Standing timber planned for harvest within twelve months, is reported as a current asset, whilst the balance is reported as a non-current asset.

Fair value less point of sales cost is determined as the expected sales revenue in the planned year of harvesting, less the cost of plantation establishment and maintenance, costs of extraction, conversion to woodchips and distribution expenses.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

(o) Standing Timber (Biological Assets) (Cont'd)

Significant assumptions made in determining the net market value of standing timber are:

- (i) Standing Timber is valued based upon expected extractable timber that could be obtained from existing stands, given current management strategies and legislative and other externally imposed restrictions.
- (ii) Only the current standing timber is valued. The limit of the cash flow analysis is the expected year of harvesting individual plantations and/or native forests.
- (iii) Costs and revenues are based upon expected rates.
- (iv) The valuation assumes the continuation of existing practices with regard to silviculture and harvesting.
- (v) A nominal pre-tax discount rate of 9% per annum is applied to the estimated cash flows. This discount rate takes into account the risks associated with future cash flows.

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis. The net GST component of all transactions is disclosed separately as cash flows from operating activities.

(q) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 3	REVENUE	NOTE	2009	2008
			\$	\$
	3 (a) Revenues from Ordinary Activities	2 (m)		
	Sales of Goods		83,074,982	110,886,285
	Interest Received	3 (c)	1,058,888	1,961,192
	Revenues for Ordinary Activities		<u>84,133,870</u>	<u>112,847,477</u>
	3 (b) Non-Operating Activities:			
	Proceeds on Disposal of P. P. & E.		971,999	23,636
	Revenues from Non-Operating Activities		<u>971,999</u>	<u>23,636</u>
	Total Revenue		<u>85,105,869</u>	<u>112,871,113</u>
	3 (c) Revenue includes Interest Received from:			
	Related Entities		347,521	430,165
	Other Entities		711,367	1,531,027
			<u>1,058,888</u>	<u>1,961,192</u>

NOTE 4 PROFIT FROM ORDINARY ACTIVITIES

Profit from Ordinary Activities before
Income Tax has been determined after:

(a) Expenses				
Cost of Sales			75,534,828	91,354,489
Depreciation & Amortisation				
Buildings			18,928	20,532
Plant & Equipment			1,917,162	1,430,932
Leased Plant & Equipment			654,995	263,789
Total Depreciation	14		<u>2,591,085</u>	<u>1,715,253</u>
Borrowing Costs				
Other Persons			139,278	193,287
Auditors Remuneration	7		108,043	139,247
Loss on sale of plant & equipment			3,279	0
Rental Expenses on Operating Leases			107,144	99,962
			<u>107,144</u>	<u>99,962</u>
(b) Significant Revenue and Expenses				
Profit on Sale of P. P. & E.			856,685	23,636
			<u>856,685</u>	<u>23,636</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 5	INCOME TAX EXPENSE	NOTE	2009 \$	2008 \$
	Major Components of Income Tax Expense for the years ended 31st December 2009 & 2008 are:			
	Income Statement			
	<i>Current Income Tax</i>			
	Current Income Tax charge		821,511	4,394,944
	Adjustments in respect of Income Tax of previous years		(39,298)	(349,048)
	<i>Deferred Income Tax</i>			
	Relating to origination and reversal of temporary differences		<u>641,708</u>	<u>23,988</u>
	Income Tax Expense reported in Income Statement		<u>1,423,921</u>	<u>4,069,884</u>
	A reconciliation of Income Tax Expense applicable to accounting profit before Income Tax at the statutory income tax rate to Income Tax Expense at the Company's effective Income tax rate for the years ended 31 December 2009 & 2008 is as follows:			
	Accounting Profit Before Income Tax		<u>5,311,934</u>	<u>14,977,413</u>
	At the Statutory Income Tax rate of 30% (2008 : 30%)		1,593,580	4,493,224
	Adjustments in respect of current Income Tax of previous years		(39,298)	(349,048)
	Non-deductible depreciation & amortisation		5,678	6,160
	Other items not allowed for Income Tax		<u>1,134,124</u>	<u>266,593</u>
			2,694,084	4,416,929
	Other allowable deductions		<u>1,270,163</u>	<u>347,045</u>
	Income Tax Expense		<u>1,423,921</u>	<u>4,069,884</u>
	The applicable weighted average effective tax rates are as follows:		26.8%	27.2%

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 6 KEY MANAGEMENT PERSONNEL

Key Management Personnel

Directors

Toshihiro Eguchi	(Executive Chairman & Managing Director)
Makoto Terao	(Non-Executive)
Tetsuya Inoue	(Non-Executive)
Hideki Ushiro	(Non-Executive)
Ichiro Tsuge	(Non-Executive)
Ryuzo Saito	(Non-Executive)
Shoji Yabe	(Non-Executive)

Alternate Directors

Robert Sauer	(Non-Executive)
Masayuki Obuchi	(Non-Executive)

Other Key Management Personnel & Alternate Directors

Peter Mitchell	General Manager
Masayuki Mizukami	Planning & Administrative Manager

Other Key Management Personnel

Graeme Skinner	Chief Financial Officer / Company Secretary
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No director holds an interest in the share capital of the Company.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 \$	2008 \$
NOTE 7	AUDITORS' REMUNERATION		
	Remuneration of the Auditor of the Company for:		
	- auditing or reviewing the Financial Report	72,260	83,500
	- taxation and other services	35,783	55,747
NOTE 8	DIVIDENDS PAID AND PROPOSED		
	Interim fully franked dividend for 2009 - 13.3 cents (2008 --13.3 cents)	1,000,000	1,000,000
	Proposed fully franked Final Dividend for 2009 - 13.3 cents (2008 - 13.3 cents)	1,000,000	1,000,000
		<u>2,000,000</u>	<u>2,000,000</u>
	Franking Credit Balance		
	The amount of franking credits available for the subsequent financial year are:		
	- Franking account balance as at the end of the financial year at 30% (2008: 30%)	25,512,049	23,974,565
	- Franking credits that will arise from the payment of income tax payable as at the end of the financial year	116,813	1,400,074
	- Less Franking debits that will arise from the payment of dividends as at the end of the financial year	<u>(428,571)</u>	<u>(428,572)</u>
	Franking credits available for future reporting periods	<u>25,200,291</u>	<u>24,946,067</u>

The tax rate at which paid dividends have been franked is 30% (2008 : 30%).

Dividends proposed will be franked at the rate of 30% (2008 : 30%).

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 \$	2008 \$
NOTE 11	INVENTORIES		
	CURRENT		
	At cost		
	Raw materials and stores	425,899	1,207,320
	Finished Goods	<u>12,959,682</u>	<u>13,107,742</u>
		<u>13,385,581</u>	<u>14,315,062</u>
NOTE 12	OTHER ASSETS		
	Prepayments	<u>662,862</u>	<u>305,124</u>
		<u>662,862</u>	<u>305,124</u>
NOTE 13	FINANCIAL ASSETS		
	Unlisted Investment at cost	<u>0</u>	<u>1,502</u>
		<u>0</u>	<u>1,502</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 \$	2008 \$
NOTE 14			
PROPERTY, PLANT AND EQUIPMENT			
LAND & BUILDINGS			
Freehold land at cost	2 (e)	<u>7,551,979</u>	<u>7,559,979</u>
Total Land		<u>7,551,979</u>	<u>7,559,979</u>
Buildings at Cost	2 (e)	2,251,793	2,300,987
Less: Accumulated depreciation		<u>(1,935,315)</u>	<u>(1,956,781)</u>
Total buildings		<u>316,478</u>	<u>344,206</u>
Total land & buildings		<u>7,868,457</u>	<u>7,904,185</u>
PLANT & EQUIPMENT			
Plant & Equipment at cost		47,195,614	45,481,346
Less Accumulated Depreciation		<u>(31,221,539)</u>	<u>(31,003,830)</u>
		<u>15,974,075</u>	<u>14,477,516</u>
Leased Plant & Equipment			
Capitalised leased assets	2 (f)	2,716,155	3,798,855
Less Accumulated Amortisation		<u>(1,004,952)</u>	<u>(891,307)</u>
		<u>1,711,203</u>	<u>2,907,548</u>
Total plant & equipment		<u>17,685,278</u>	<u>17,385,064</u>
Total property, plant and equipment		<u>25,553,735</u>	<u>25,289,249</u>

Recent Valuations of Interests in Land and Buildings

The current market value of land and buildings determined by Directors valuation (based on an Independent valuation prepared by Hymans Asset Management valuation carried out in May 2009), is:

	\$
Plantation Land, Domestic Land and Buildings	9,905,000
Mill Buildings	<u>2,400,000</u>
Total Amount of Land & Buildings at Valuation Date	<u>12,305,000</u>

Note 1: Independent valuations are prepared every 3 years.

Note 2: The carrying amount of the above assets in the Statement of Financial Position is \$9,032,271

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 14 PROPERTY, PLANT AND EQUIPMENT (cont'd)

14 (a) Reconciliation of carrying amounts at the beginning and end of the period..

Year ended	Freehold Land	Buildings	Plant & Equipment	Leased Plant & Equipment	Total
31 December 2008					
Balance at beginning of year	5,910,734	364,738	11,748,239	3,787,062	21,810,773
Reverse W I P Opening Balance	0	0	(903,004)	0	(903,004)
W I P this year	0	0	3,627,280	0	3,627,280
Additions	1,649,245	0	1,435,934	0	3,085,179
Disposals	0	0	(97,966)	(931,625)	(1,029,591)
Depreciation write back on disposal	0	0	97,965	315,900	413,865
Depreciation Expense	0	(20,532)	(1,430,932)	(263,789)	(1,715,253)
Carrying amount at year end	7,559,979	344,206	14,477,516	2,907,548	25,289,249
Year ended					
31 December 2009					
Balance at beginning of year	7,559,979	344,206	14,477,516	2,907,548	25,289,249
Reverse W I P Opening Balance	0		(3,627,280)		(3,627,280)
W I P this year	0		1,001,295		1,001,295
Additions	0	0	6,141,499	0	6,141,499
Disposals	(8,000)	(49,193)	(1,801,246)	(1,082,700)	(2,941,139)
Depreciation write back on disposal	0	40,393	1,699,453	541,350	2,281,196
Depreciation Expense	0	(18,928)	(1,917,162)	(654,995)	(2,591,085)
Carrying amount at year end	7,551,979	316,478	15,974,075	1,711,203	25,553,735

NOTE 2009 2008

NOTE 15 PLANTATION ESTABLISHMENT

On Company Land at cost	1,052,117	1,163,925
Profit a Prendre at cost	1,534,673	1,459,995
2 (n)	2,586,790	2,623,920

Nature and an indication of physical quantities of trees in hardwood plantations.

	2009 Area (ha)	2009 Planted (ha)	2009 Tonnes (estimated)	2008 Area (ha)	2008 Planted (ha)	2008 Tonnes (estimated)
On Company Land	1,886	976	1,514	1,057	530	23,166
Profit a Prendre	590	590	13,216	590	590	3,064
Total Plantations	2,476	1,566	14,730	1,647	1,120	26,230

The area (ha), planted (ha), and estimated tonnes in this note are in addition to those in Note 16.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	NOTE	2009 \$	2008 \$
NOTE 16	STANDING TIMBER – at fair value less point of sale cost (Biological Assets)		
Non Current Asset		<u>7,445,877</u>	<u>7,138,728</u>
	2 (o)	<u>7,445,877</u>	<u>7,138,728</u>

Method of Determining Fair Value less point of sales cost.

The Directors consider there is no active and liquid market for plantation or native forest estates. As the Company plans to harvest this resource and convert the timber to woodchips, the net market value of standing timber represents the net present values of estimated future cash flows determined in accordance with a Directors' Valuation.

	2009 Area (ha)	2009 Planted (ha)	2009 Tonnes	2008 Area (ha)	2008 Planted (ha)	2008 Tonnes
On Company Land						
Regrowth Forest Timber	1,137	230	36,935	1,137	230	17,728
Mature Forest Timber	110	30	12,933	110	30	7,345
Plantation Timber	4,156	3,129	271,066	3,132	2,582	261,561
Total	<u>5,403</u>	<u>3,389</u>	<u>320,934</u>	<u>4,379</u>	<u>2,842</u>	<u>286,634</u>
Profit a Prendre						
Plantation Timber	49	41	4,297	49	41	4,129
Total Timber						
Regrowth Forest Timber	1,137	230	36,935	1,137	230	17,728
Mature Forest Timber	110	30	12,933	110	30	7,345
Plantation Timber	4,205	3,170	275,363	3,181	2,623	265,690
Total	<u>5,452</u>	<u>3,430</u>	<u>325,231</u>	<u>4,428</u>	<u>2,883</u>	<u>290,763</u>

The area (ha), planted (ha), and estimated tonnes in this note are in addition to those in Note 15 .

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
NOTE 17 TRADE & OTHER PAYABLES		
CURRENT		
Trade Creditors	3,592,753	3,507,216
Sundry Creditors	<u>1,874,731</u>	<u>1,753,394</u>
	<u>5,467,484</u>	<u>5,260,610</u>

Trade payables and sundry creditors are non-interest bearing and are generally on up to 30 day terms.

NOTE 18 INTEREST – BEARING LOANS AND BORROWINGS

	NOTE	MATURITY		
(a) CURRENT				
Bank Overdraft	24 (c)	2009	0	0
Lease Liability	2 (f)	2009	<u>1,010,448</u>	<u>869,648</u>
			<u>1,010,448</u>	<u>869,648</u>
(b) NON-CURRENT				
Lease Liability	2 (f)	2010 - 2011	<u>624,290</u>	<u>1,634,737</u>
			<u>624,290</u>	<u>1,634,737</u>
(i) TOTAL CURRENT & NON-CURRENT SECURED LIABILITIES				
Bank Overdraft			<u>2,000,000</u>	<u>2,000,000</u>
			<u>2,000,000</u>	<u>2,000,000</u>
(ii) The carrying amounts are:				
FIRST MORTGAGE				
Freehold Land & Buildings			<u>2,000,000</u>	<u>2,000,000</u>
			<u>2,000,000</u>	<u>2,000,000</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 \$	2008 \$
NOTE 19 INCOME TAX BALANCES		
a) Liabilities		
(i) CURRENT		
Income Tax Payable	<u>146,005</u>	<u>1,729,228</u>
(ii) NON-CURRENT		
Deferred Tax liability comprises tax allowances relating to:		
Standing Timber	2,233,764	2,141,619
Plantation expenditure	776,037	787,176
Plant & Equipment	22,939	120,948
Pension Plan	145,200	0
	<u>3,177,940</u>	<u>3,049,743</u>
b) Assets		
Deferred Tax assets comprises tax allowances relating to:		
Provisions	897,523	879,879
Pension Plan	0	652,200
Plant & equipment	(64,729)	122,927
	<u>832,794</u>	<u>1,655,006</u>
c) Reconciliations		
(i) Deferred Tax Liability		
The movements in deferred tax liability for each temporary difference during the year is as follows:		
Tax Allowances Relating to		
Standing Timber		
At 1 January	2,141,619	1,788,738
Charged to the Income Statement	92,145	352,881
As at 31 December	<u>2,233,764</u>	<u>2,141,619</u>
Plantation expenditure		
At 1 January	787,176	972,638
Charged to the Income Statement	(11,139)	(185,462)
As at 31 December	<u>776,037</u>	<u>787,176</u>
Plant & Equipment		
At 1 January	120,948	126,088
Charged to the Income Statement	(98,009)	(5,140)
As at 31 December	<u>22,939</u>	<u>120,948</u>
Pension Plan		
At 1 January	0	212,400
Charged to the Income Statement	145,200	(212,400)
As at 31 December	<u>145,200</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 \$	2008 \$
NOTE 19 INCOME TAX BALANCES (Cont'd)		
(ii) Deferred Tax Asset		
The movement in deferred tax assets for each temporary difference during the year is as follows:		
Provisions		
At 1 January	879,879	756,735
Charged to Income Statement	17,644	123,144
As at 31 December	<u>897,523</u>	<u>879,879</u>
Pension Plan		
At 1 January	652,200	0
Charged to Income Statement	(652,200)	652,200
As at 31 December	<u>0</u>	<u>652,200</u>
Plant & Equipment		
At 1 January	122,927	110,780
Charged to Income Statement	(187,656)	12,147
As at 31 December	<u>(64,729)</u>	<u>122,927</u>

NOTE 20 PROVISIONS

	Employee Entitlements \$	Dividend \$	Other \$	Litigation \$	Total \$
Opening Balance as at 1 January 2009	1,725,684	1,000,000	12,000	972,000	3,709,684
Additional provisions raised during the year	803,135	2,000,000	414,856	0	3,217,991
Less amounts used	(775,073)	(2,000,000)	(304,856)	0	(3,079,929)
Balance 31 December 2009	<u>1,753,746</u>	<u>1,000,000</u>	<u>122,000</u>	<u>972,000</u>	<u>3,847,746</u>

	2009 \$	2008 \$
Analysis of Total Provisions		
(a) Current	2,859,079	2,787,702
(b) Non-Current	988,667	921,982
	<u>3,847,746</u>	<u>3,709,684</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 21 EMPLOYEE BENEFITS

PENSION PLAN

The Company has a Pension Plan which consists of an Accumulation Fund and a Defined Benefit Fund (DBF), covering the majority of its Australian employees, which requires contributions to be made to the separately administered funds.

The DBF provides for defined benefits based on years of service and the final average salary. It has two types of members, being Category 1 (Weekly paid employees) and Category 2 (Monthly paid employees).

Contributions to the Accumulation Fund are listed under Contribution rates as (a), whilst contributions to the DBF are listed under Contribution rates as (b) below.

Contribution rates to the pension plan

	2009			2008		
	(a)	(b)	Total	(a)	(b)	Total
Category 1	3.0%	10.0%	13.0%	3.0%	10.0%	13.0%
Category 2	3.0%	14.0%	17.0%	3.0%	14.0%	17.0%

The following table summarises the components of net benefit expense recognised in the income statement and the funded status and amounts recognised in the balance sheet for the Defined Benefit Fund.

	2009	2008
	\$	\$
Net benefit expense (recognised in cost of sales & operating expenses)		
Current service cost	429,000	386,000
Interest cost	220,000	313,000
Expected return on plan assets	(299,000)	(396,000)
Net Benefit Expense	<u>350,000</u>	<u>303,000</u>
Actual return on plan assets	<u>920,000</u>	<u>(1,479,000)</u>
Benefit asset/(liability)		
Present value of benefit obligation	(6,529,000)	(6,980,000)
Fair value of plan assets	<u>7,013,000</u>	<u>4,806,000</u>
Net benefit asset/(liability) – non-current	<u>484,000</u>	<u>(2,174,000)</u>

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NOTES TO THE FINANCIAL STATEMENTS
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	2009 \$	2008 \$
NOTE 21 EMPLOYEE BENEFITS (cont'd)		
Movements in benefit asset/ (liability) during the year		
At 1 January	(2,174,000)	708,000
Expense recognised in Income Statement	(350,000)	(303,000)
Amount recognised in Retained Earnings	1,029,000	(2,872,000)
Employee Contributions	<u>1,979,000</u>	<u>293,000</u>
At 31 December	<u>484,000</u>	<u>(2,174,000)</u>

The principal actuarial assumptions used in determining the funds benefit obligations are:

	2009 %	2008 %	2007 %
Discount rate	5.2%	3.5%	5.5%
Expected rate of return on asset	6.50%	6.50%	6.25%
Future salary increases	4.0%	4.0%	4.0%

	2009 \$	2008 \$
NOTE 22 CONTRIBUTED EQUITY AND RESERVES		
(a) Ordinary Shares		
2,812,500 "I" class ordinary shares issued at \$1.00 each fully paid	2,812,500	2,812,500
4,687,500 "N" class ordinary shares issued at \$1.00 each fully paid	<u>4,687,500</u>	<u>4,687,500</u>
	<u>7,500,000</u>	<u>7,500,000</u>

Both classes of Ordinary shares participate in dividends and at the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Retained Earnings		
Movements in retained earnings were as follows:		
Balance 1 January	37,272,116	30,374,987
Net Profit for the year	3,888,013	10,907,529
Dividends	(2,000,000)	(2,000,000)
Actuarial gain/(loss) on defined benefit plan	<u>720,300</u>	<u>(2,010,400)</u>
Balance 31 December	<u>39,880,429</u>	<u>37,272,116</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 \$	2008 \$
NOTE 22 CONTRIBUTED EQUITY AND RESERVES (Cont'd)		
(c) Reserves		
General Reserve	<u>16,200,000</u>	<u>16,200,000</u>
<p>The general reserve records funds set aside for future expansion of the Company.</p>		
 NOTE 23 CAPITAL AND LEASING COMMITMENTS		
(a) Finance Lease Commitments		
Payable – minimum lease payments		
- not later than 12 months	1,084,054	1,010,726
- between 12 months and five years	<u>664,850</u>	<u>1,748,899</u>
Minimum lease payments	1,748,904	2,759,625
Less future finance charges	<u>114,166</u>	<u>255,240</u>
Present value of future lease payments	<u>1,634,738</u>	<u>2,504,385</u>
 (b) Operating Lease Commitments		
Payable – Minimum Lease Payments		
- not later than 12 months	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
<p>Cancelled operating leases contracted for but not capitalised in the financial statements.</p> <p>Property leases are cancellable, with the longest having a three year term, with rent payable in advance. The leases have no fixed term and do not allow for sub-letting of any leased area.</p>		
 (c) Capital Expenditure Commitments		
- Plant and Equipment	<u>0</u>	<u>0</u>
Payable not later than 12 months	<u>0</u>	<u>0</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 \$	2008 \$
NOTE 24 CASH FLOW INFORMATION		
(a) Reconciliation of Cash		
Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the balance sheet as follows:		
Bank Balances	167,244	6,353,432
Cash on Deposit	17,300,000	12,500,000
Note 9	<u>17,467,244</u>	<u>18,853,432</u>
(b) Reconciliation of Cash Flow from Operations with Operating Profit from Ordinary Activities after Income Tax		
(i) Operating Profit from Ordinary Activities after Income Tax	3,888,013	10,907,529
Non-cash flows in operating profit		
- Plantations Logged	1,767,341	470,497
- Depreciation and Amortisation	2,591,085	1,715,253
- (Profits)/Losses on sale of property, plant and equipment	(853,406)	(23,636)
- (Profits)/Loss on timber valuations	(1,339,922)	(465,707)
- Changes in assets and liabilities		
- (Increase)/decrease in receivables	(250,454)	3,571,172
- Increase)/decrease in shares in other companies	1,502	0
- (Increase)/decrease in pension plan asset	(484,000)	708,000
- (Increase)/decrease in retained earnings (defined benefit plan)	720,300	(2,010,400)
- (Increase)/decrease in inventories	929,481	(9,651,729)
- (Increase)/decrease in accounts payable	206,873	239,793
- (Increase)/decrease in provisions	113,062	309,544
- (Increase)/decrease in pension plan liability	(2,174,000)	2,174,000
- (Increase)/decrease in tax payable	(1,583,222)	273,705
- (Increase)/decrease in deferred tax asset	822,212	(787,491)
- Increase/(decrease) in deferred tax liability	128,197	(50,121)
Total Cash Flows from Operating Activities	<u>4,483,062</u>	<u>7,380,409</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

NOTE 24 CASH FLOW INFORMATION (cont'd)

(c) Credit Stand-by Arrangement and Loan Facilities

The Company has a Bank Overdraft facility (secured by registered mortgages over freehold land and by a registered equitable mortgage over the other assets of the Company) amounting to \$2,000,000 (2008 - \$2,000,000) and a lease finance facility of \$7,000,000 (2008 - \$7,000,000). These may be terminated at any time at the option of the Bank. During the financial year 2009, no amount of the Overdraft facility had been drawn upon (2008- \$0) and no amount of the lease facility was drawn upon (2008 - \$0).
Bank Overdraft rates are variable whilst lease rates are fixed, per drawdown.

NOTE 25 ECONOMIC DEPENDENCE

The Company is significantly dependent on Nippon Paper Industries Co. Ltd. for the sale of woodchips, which represented 63% of the total sales dollars of woodchips during the financial year ended 31 December, 2009. (2008 – 83.8%)

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FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

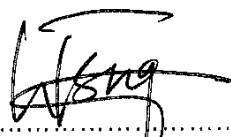
DIRECTORS' DECLARATION

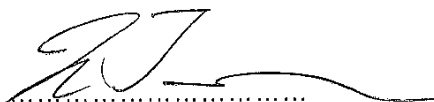
The Directors of the Company declare that:

- (1) The Financial Statements and Notes, as set out on pages 7 to 34; are in accordance with the Corporations Act 2001, and they:
 - (a) comply with Accounting Standards and the Corporations Act 2001; and
 - (b) give a true and fair view of the Company's financial position as at 31 December 2009 and of its performance for the year ended on that date;
- (2) The Company is not a reporting entity as defined in the Australian Accounting Standards.
- (3) In the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made on the 16th April 2010, in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:


.....
T. Eguchi - Director


.....
I. Tsuge - Director


.....
M. Terao - Director


.....
M. Obuchi - Director



Ernst & Young Centre
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001
Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
www.ey.com/au

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Independent auditor's report to the members of South East Fibre Exports Pty Ltd

We have audited the accompanying special purpose financial report of South East Fibre Exports Pty Ltd, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 2 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used are appropriate to the needs of the members. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

The financial report has been prepared for distribution to the members for the purpose of fulfilling the directors' financial reporting requirements under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have met the independence requirements of the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration.



Auditor's Opinion

In our opinion the financial report of South East Fibre Exports Pty Ltd is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the financial position of South East Fibre Exports Pty Ltd as at 31 December 2009 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 2 to the financial statements; and
- b) complying with Australian Accounting Standards to the extent described in Note 2 to the financial statements and complying with the Corporations Regulations 2001.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Gregory J Logue'.

Gregory J Logue
Partner
Sydney
16 April 2010

SOUTH EAST FIBRE EXPORTS PTY. LTD
ABN 85 000 604 795

COMPANY DETAILS

**OFFICE
ESTABLISHMENT:**

Registered Office, principal place of business &
Share Register

Edrom Road
PO Box 189
Eden, NSW 2551
Australia

Telephone: (02) 6496 0222

Facsimile: (02) 6496 1204

E-Mail: sefe@sefe.com.au

BANKERS:

Commonwealth Bank of Australia
Mizuho Corporate Bank Limited
Bank of Western Australia Ltd

AUDITOR:

Ernst & Young
Sydney, Australia

SOLICITOR:

DibbsBarker - Sydney, Australia
Russell Kennedy - Melbourne Australia